

**UNIFIED SCHOOL DISTRICT NO. 102
CIMARRON, KANSAS**

**FINANCIAL STATEMENTS
with
INDEPENDENT AUDITOR'S REPORT
and
OMB CIRCULAR A-133, SINGLE AUDIT REPORTS
YEAR ENDED JUNE 30, 2011**

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Unified School District No. 102
Cimarron, Kansas

We have audited the accompanying financial statements of Unified School District No. 102, Cimarron, Kansas as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Kansas Municipal Audit Guide*. Those standards and guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note A, Unified School District No. 102 has prepared these financial statements using the accounting practices prescribed or permitted by the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, is presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Unified School District No. 102 as of June 30, 2011, or the changes in its financial position for the year then ended. Further, Unified School District No. 102 has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be a part of the basic financial statements.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of each fund of Unified School District No. 102, as of June 30, 2011, and their respective cash receipts and expenditures, and budgetary comparisons, for the year then ended, on the basis of accounting described in Note A.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2011, on our consideration of the Unified School District No. 102's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Kennedy McKee & Company LLP

December 5, 2011

**UNIFIED SCHOOL DISTRICT NO. 102
CIMARRON, KANSAS**

**SUMMARY OF CASH RECEIPTS, EXPENDITURES
AND UNENCUMBERED CASH (DEFICIT)**

Year ended June 30, 2011

<u>Fund</u>	Beginning unencumbered cash balance (deficit)	Prior year canceled encumbrances
General funds:		
General	\$ (455,908)	\$ -
Supplemental general	(84,490)	-
Special revenue funds:		
At risk (4 yr old)	493	-
At risk	1,398	-
Bilingual	592	-
Capital outlay	717,323	180
Driver training	26,182	-
Food service	76,297	-
Special education	229,454	-
Vocational education	959	-
KPERs special retirement contribution	-	-
Migrant	-	-
Contingency reserve	108,998	-
Textbook and student materials revolving	38,070	-
Title I	39	-
Title I C	-	-
Title II A	-	-
Title III A	-	-
Title II D	-	-
ARRA Stimulus Money	(70)	-
REAP	-	-
District activity funds	15,660	-
Debt service fund:		
Bond and interest	489,663	-
Total reporting entity (excluding agency funds)	<u>\$ 1,164,660</u>	<u>\$ 180</u>

Cash receipts	Expenditures	Ending unencumbered cash balance (deficit)	Add outstanding encumbrances and accounts payable	Ending cash balance (deficit)
\$ 4,902,117	\$ 4,857,077	\$ (410,868)	\$ 39,540	\$ (371,328)
1,027,966	968,330	(24,854)	7,414	(17,440)
61,210	61,556	147	30	177
420,682	421,907	173	-	173
259,500	259,784	308	260	568
473,182	663,535	527,150	586,202	1,113,352
7,502	8,626	25,058	861	25,919
344,713	320,845	100,165	50	100,215
734,838	716,618	247,674	374	248,048
189,830	190,470	319	76	395
233,670	233,670	-	-	-
176,100	175,244	856	3,003	3,859
-	-	108,998	-	108,998
32,266	34,074	36,262	5,752	42,014
88,342	88,342	39	-	39
156,585	126,029	30,556	663	31,219
24,214	24,214	-	-	-
14,377	14,377	-	-	-
299	299	-	-	-
33,970	33,900	-	-	-
31,891	28,293	3,598	-	3,598
92,887	93,746	14,801	-	14,801
446,074	395,005	540,732	-	540,732
<u>\$ 9,752,215</u>	<u>\$ 9,715,941</u>	<u>\$ 1,201,114</u>	<u>\$ 644,225</u>	<u>\$ 1,845,339</u>

**UNIFIED SCHOOL DISTRICT NO. 102
CIMARRON, KANSAS**

**SUMMARY OF CASH RECEIPTS, EXPENDITURES
AND UNENCUMBERED CASH (DEFICIT) (CONTINUED)**

Year ended June 30, 2011

Composition of cash balance:

Activity funds - checking	\$ 7,143
Activity funds - money market	46,247
Money market checking	1,230,538
Certificates of deposit	<u>600,000</u>
Total cash and investments	1,883,928
Agency funds	<u>(38,589)</u>
Total reporting entity (excluding agency funds)	<u><u>\$ 1,845,339</u></u>

The accompanying notes are an integral
part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 102
CIMARRON, KANSAS

SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET

Year ended June 30, 2011

<u>Fund</u>	<u>Certified budget</u>	<u>Adjustment to comply with legal maximum budget</u>	<u>Total budget for comparison</u>	<u>Expenditures chargeable to current year</u>	<u>Variance favorable (unfavorable)</u>
General funds:					
General	\$ 5,049,102	\$ (192,025)	\$ 4,857,077	\$ 4,857,077	\$ -
Supplemental general	970,000	-	970,000	968,330	1,670
Special revenue funds:					
At risk (4 year old)	85,993	-	85,993	61,556	24,437
At risk	591,398	-	591,398	421,907	169,491
Bilingual	260,000	-	260,000	259,784	216
Capital outlay	800,000	-	800,000	663,535	136,465
Driver training	13,000	-	13,000	8,626	4,374
Food service	385,250	-	385,250	320,845	64,405
Special education	835,000	-	835,000	716,618	118,382
Vocational education	195,000	-	195,000	190,470	4,530
KPERS special retirement contribution	331,855	-	331,855	233,670	98,185
Bond and interest	396,005	-	396,005	395,005	1,000
	<u>\$ 9,912,603</u>	<u>\$ (192,025)</u>	<u>\$ 9,720,578</u>	<u>\$ 9,097,423</u>	<u>\$ 623,155</u>

The accompanying notes are an integral
part of the financial statements.

**UNIFIED SCHOOL DISTRICT NO. 102
CIMARRON, KANSAS**

GENERAL FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
		2011		
	2010	Actual	Budget	Variance favorable (unfavorable)
Cash receipts:				
Taxes:				
Ad valorem property:				
Tax in process	\$ 12,032	\$ 10,347	\$ 28,087	\$ (17,740)
Current tax	593,699	588,120	585,083	3,037
Delinquent tax	6,056	12,239	9,576	2,663
Federal aid:				
ARRA stabilization funds	233,857	87,697	87,697	-
Education jobs	-	153,556	-	153,556
State aid:				
Equalization aid	3,492,096	3,578,144	3,841,877	(263,733)
Special education aid	573,775	472,014	490,000	(17,986)
Total cash receipts	<u>4,911,515</u>	<u>4,902,117</u>	<u>\$ 5,042,320</u>	<u>\$ (140,203)</u>
Expenditures and transfers subject to legal maximum budget:				
Instruction	2,099,723	2,114,200	\$ 2,281,718	\$ 167,518
Student support services	96,414	105,585	104,500	(1,085)
Instructional support staff	85,406	109,219	112,900	3,681
General administration	181,761	191,569	208,335	16,766
School administration	347,357	329,277	366,365	37,088
Operations and maintenance	355,203	369,134	331,314	(37,820)
Student transportation services	241,269	238,732	276,900	38,168
Other supplemental services	12,343	435	-	(435)
Transfers to other funds	1,409,768	1,398,926	1,367,070	(31,856)
Adjustment to comply with legal maximum budget	<u>-</u>	<u>-</u>	<u>(192,025)</u>	<u>(192,025)</u>
Total expenditures and transfers subject to legal maximum budget	<u>4,829,244</u>	<u>4,857,077</u>	<u>\$ 4,857,077</u>	<u>\$ -</u>
Receipts over (under) expenditures	82,271	45,040		
Unencumbered cash (deficit), beginning of year	(544,397)	(455,908)		
Prior year canceled encumbrances	<u>6,218</u>	<u>-</u>		
Unencumbered cash (deficit), end of year	<u>\$ (455,908)</u>	<u>\$ (410,868)</u>		

The accompanying notes are an integral
part of the financial statements.

**UNIFIED SCHOOL DISTRICT NO. 102
CIMARRON, KANSAS**

SUPPLEMENTAL GENERAL FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
		2011		
	2010	Actual	Budget	Variance favorable (unfavorable)
Cash receipts:				
Taxes:				
Ad valorem property:				
Tax in process	\$ 7,174	\$ 9,480	\$ 21,917	\$ (12,437)
Current tax	477,401	474,163	470,431	3,732
Delinquent tax	3,127	8,425	7,735	690
Motor vehicle tax	40,568	50,006	55,861	(5,855)
Recreational vehicle tax	728	930	1,063	(133)
Federal aid:				
ARRA stabilization	118,495	-	-	-
State aid:				
Supplemental State Aid	316,390	484,962	419,696	65,266
Total cash receipts	963,883	1,027,966	\$ 976,703	\$ 51,263
Expenditures and transfers subject to legal maximum budget:				
Instruction	118,495	-	\$ -	\$ -
Operations and maintenance	215,785	187,118	200,000	12,882
Transfers to other funds	665,720	781,212	770,000	(11,212)
Total expenditures and transfers subject to legal maximum budget	1,000,000	968,330	\$ 970,000	\$ 1,670
Receipts over (under) expenditures	(36,117)	59,636		
Unencumbered cash (deficit), beginning of year	(48,373)	(84,490)		
Unencumbered cash (deficit), end of year	\$ (84,490)	\$ (24,854)		

The accompanying notes are an integral
part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 102
CIMARRON, KANSAS

AT RISK (4 YEAR OLD) FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
		2011		
	2010	Actual	Budget	Variance favorable (unfavorable)
Cash receipts:				
Tuition	\$ 6,490	\$ 15,965	\$ 9,500	\$ 6,465
Transfers:				
General fund	50,000	45,245	76,000	(30,755)
Total cash receipts	56,490	61,210	<u>\$ 85,500</u>	<u>\$ (24,290)</u>
Expenditures:				
Instruction	56,613	61,556	<u>\$ 85,993</u>	<u>\$ 24,437</u>
Receipts over (under) expenditures	(123)	(346)		
Unencumbered cash, beginning of year	616	493		
Unencumbered cash, end of year	<u>\$ 493</u>	<u>\$ 147</u>		

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part of the financial statements.

**UNIFIED SCHOOL DISTRICT NO. 102
CIMARRON, KANSAS**

AT RISK FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
	2011			
	2010	Actual	Budget	Variance favorable (unfavorable)
Cash receipts:				
Transfers:				
General fund	\$ -	\$ 97,800	\$ 70,000	\$ 27,800
Supplemental general fund	520,000	322,882	520,000	(197,118)
Total cash receipts	520,000	420,682	\$ 590,000	\$ (169,318)
Expenditures:				
Instruction	479,886	403,024	\$ 551,368	\$ 148,344
Student support services	39,769	18,883	40,030	21,147
Total expenditures	519,655	421,907	\$ 591,398	\$ 169,491
Receipts over (under) expenditures	345	(1,225)		
Unencumbered cash, beginning of year	1,053	1,398		
Unencumbered cash, end of year	\$ 1,398	\$ 173		

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part of the financial statements.

**UNIFIED SCHOOL DISTRICT NO. 102
CIMARRON, KANSAS**

BILINGUAL FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
		2011		
	2010	Actual	Budget	Variance favorable (unfavorable)
Cash receipts:				
Transfers:				
General fund	\$ 82,000	\$ -	\$ 223,000	\$ (223,000)
Supplemental general fund	-	259,500	37,000	222,500
Total cash receipts	<u>82,000</u>	<u>259,500</u>	<u>\$ 260,000</u>	<u>\$ (500)</u>
Expenditures:				
Instruction	82,125	252,508	\$ 260,000	\$ 7,492
Student support	-	7,276	-	(7,276)
Total expenditures	<u>82,125</u>	<u>259,784</u>	<u>\$ 260,000</u>	<u>\$ 216</u>
Receipts over (under) expenditures	(125)	(284)		
Unencumbered cash, beginning of year	<u>717</u>	<u>592</u>		
Unencumbered cash, end of year	<u>\$ 592</u>	<u>\$ 308</u>		

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part of the financial statements.

**UNIFIED SCHOOL DISTRICT NO. 102
CIMARRON, KANSAS**

CAPITAL OUTLAY FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
		2011		
	2010	Actual	Budget	Variance favorable (unfavorable)
Cash receipts:				
Taxes:				
Ad valorem property:				
Tax in process	\$ 2,890	\$ 8	\$ -	\$ 8
Current tax	849	1,248	-	1,248
Delinquent tax	1,397	1,674	-	1,674
Motor vehicle tax	18,150	11,083	13,242	(2,159)
Recreational vehicle tax	322	208	252	(44)
Other	1,520	-	-	-
Transfers:				
General fund	340,372	458,961	160,000	298,961
Total cash receipts	<u>365,500</u>	<u>473,182</u>	<u>\$ 173,494</u>	<u>\$ 299,688</u>
Expenditures:				
Instruction	45,671	76,915	\$ 100,000	\$ 23,085
General administration	-	977	-	(977)
Operations and maintenance	46,744	564,569	100,000	(464,569)
Student transportation services	-	-	250,000	250,000
Facility acquisition and construction services	9,765	21,074	350,000	328,926
Total expenditures	<u>102,180</u>	<u>663,535</u>	<u>\$ 800,000</u>	<u>\$ 136,465</u>
Receipts over (under) expenditures	263,320	(190,353)		
Unencumbered cash, beginning of year	454,003	717,323		
Prior year canceled encumbrances	<u>-</u>	<u>180</u>		
Unencumbered cash, end of year	<u>\$ 717,323</u>	<u>\$ 527,150</u>		

The accompanying notes are an integral
part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 102
CIMARRON, KANSAS

DRIVER TRAINING FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
		2011		
	2010	Actual	Budget	Variance favorable (unfavorable)
Cash receipts:				
Charges for services	\$ 6,616	\$ 4,246	\$ 6,500	\$ (2,254)
State aid	2,000	3,256	2,800	456
Total cash receipts	8,616	7,502	<u>\$ 9,300</u>	<u>\$ (1,798)</u>
Expenditures:				
Instruction	9,126	7,956	\$ 11,200	\$ 3,244
Vehicle operating maintenance	209	670	1,800	1,130
Total expenditures	9,335	8,626	<u>\$ 13,000</u>	<u>\$ 4,374</u>
Receipts over (under) expenditures	(719)	(1,124)		
Unencumbered cash, beginning of year	26,901	26,182		
Unencumbered cash, end of year	<u>\$ 26,182</u>	<u>\$ 25,058</u>		

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**UNIFIED SCHOOL DISTRICT NO. 102
CIMARRON, KANSAS**

FOOD SERVICE FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
		2011		
	2010	Actual	Budget	Variance favorable (unfavorable)
Cash receipts:				
Federal aid	\$ 141,424	\$ 150,786	\$ 125,110	\$ 25,676
State aid	3,661	3,455	2,940	515
Charges for services	124,193	122,714	122,405	309
Interest	8,737	7,478	5,000	2,478
Other	-	350	-	350
Transfers:				
General fund	114,000	59,930	14,000	45,930
Supplemental general fund	-	-	140,000	(140,000)
Total cash receipts	392,015	344,713	<u>\$ 409,455</u>	<u>\$ (64,742)</u>
Expenditures:				
Food service operations	<u>357,559</u>	<u>320,845</u>	<u>\$ 385,250</u>	<u>\$ 64,405</u>
Receipts over (under) expenditures	34,456	23,868		
Unencumbered cash, beginning of year	<u>41,841</u>	<u>76,297</u>		
Unencumbered cash, end of year	<u>\$ 76,297</u>	<u>\$ 100,165</u>		

The accompanying notes are an integral
part of the financial statements.

**UNIFIED SCHOOL DISTRICT NO. 102
CIMARRON, KANSAS**

SPECIAL EDUCATION FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
		2011		
	2010	Actual	Budget	Variance favorable (unfavorable)
Cash receipts:				
Federal aid	\$ 1,165	\$ 588	\$ -	\$ 588
Transfers:				
General fund	610,846	734,250	769,070	(34,820)
Supplemental general fund	89,154	-	18,000	(18,000)
Total cash receipts	701,165	734,838	\$ 787,070	\$ (52,232)
Expenditures:				
Instruction	689,227	702,216	\$ 820,699	\$ 118,483
Student transportation services	12,561	14,402	14,301	(101)
Total expenditures	701,788	716,618	\$ 835,000	\$ 118,382
Receipts over (under) expenditures	(623)	18,220		
Unencumbered cash, beginning of year	230,077	229,454		
Unencumbered cash, end of year	\$ 229,454	\$ 247,674		

The accompanying notes are an integral
part of the financial statements.

**UNIFIED SCHOOL DISTRICT NO. 102
CIMARRON, KANSAS**

VOCATIONAL EDUCATION FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			Variance favorable (unfavorable)
	2010	Actual	Budget	
Cash receipts:				
Federal aid	\$ 9,050	\$ -	\$ 9,050	\$ (9,050)
Transfers:				
General fund	166,000	-	130,000	(130,000)
Supplemental general fund	-	189,830	55,000	134,830
Total cash receipts	<u>175,050</u>	<u>189,830</u>	<u>\$ 194,050</u>	<u>\$ (4,220)</u>
Expenditures:				
Instruction	175,013	190,127	\$ 195,000	\$ 4,873
School administration	-	343	-	(343)
Total expenditures	<u>175,013</u>	<u>190,470</u>	<u>\$ 195,000</u>	<u>\$ 4,530</u>
Receipts over (under) expenditures	37	(640)		
Unencumbered cash, beginning of year	919	959		
Prior year canceled encumbrances	<u>3</u>	<u>-</u>		
Unencumbered cash, end of year	<u>\$ 959</u>	<u>\$ 319</u>		

The accompanying notes are an integral
part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 102
CIMARRON, KANSAS

KPERS SPECIAL RETIREMENT CONTRIBUTION FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
	2011			Variance
	2010	Actual	Budget	favorable (unfavorable)
Cash receipts:				
State aid	\$ 276,545	\$ 233,670	\$ 331,855	\$ (98,185)
Expenditures:				
Instruction	196,744	165,002	\$ 229,855	\$ 64,853
Student support services	8,635	6,852	10,000	3,148
Instructional support staff	7,310	6,809	10,000	3,191
General administration	11,636	8,726	15,000	6,274
School administration	20,726	18,229	25,000	6,771
Operations and maintenance	14,063	12,677	17,000	4,323
Student transportation services	8,414	8,380	12,000	3,620
Food service	9,017	6,995	13,000	6,005
Total expenditures	276,545	233,670	\$ 331,855	\$ 98,185
Receipts over (under) expenditures	-	-		
Unencumbered cash, beginning of year	-	-		
Unencumbered cash, end of year	\$ -	\$ -		

The accompanying notes are an integral
part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 102
CIMARRON, KANSAS

BOND AND INTEREST FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
	2011			Variance
	2010	Actual	Budget	favorable (unfavorable)
Cash receipts:				
Taxes:				
Ad valorem property:				
Tax in process	\$ 6,251	\$ 5,626	\$ 11,923	\$ (6,297)
Current tax	283,925	277,219	274,084	3,135
Delinquent tax	3,071	6,274	4,586	1,688
Motor vehicle tax	38,412	37,749	42,749	(5,000)
Recreational vehicle tax	686	704	814	(110)
State aid:				
Supplemental state aid	138,395	118,502	118,502	-
Total cash receipts	<u>470,740</u>	<u>446,074</u>	<u>\$ 452,658</u>	<u>\$ (6,584)</u>
Expenditures:				
Debt service:				
Principal	605,000	365,000	\$ 365,000	\$ -
Interest	66,455	30,005	30,005	-
Commission and postage	20	-	1,000	1,000
Total expenditures	<u>671,475</u>	<u>395,005</u>	<u>\$ 396,005</u>	<u>\$ 1,000</u>
Receipts over (under) expenditures	(200,735)	51,069		
Unencumbered cash, beginning of year	<u>690,398</u>	<u>489,663</u>		
Unencumbered cash, end of year	<u>\$ 489,663</u>	<u>\$ 540,732</u>		

The accompanying notes are an integral
part of the financial statements.

**UNIFIED SCHOOL DISTRICT NO. 102
CIMARRON, KANSAS**

**STATEMENT OF CASH RECEIPTS AND EXPENDITURES
ALL NON-BUDGETED SPECIAL REVENUE FUNDS**

Year ended June 30, 2011

	Migrant	Contingency reserve	Textbook and student materials revolving	Title I
Cash receipts:				
Fees	\$ -	\$ -	\$ 20,526	\$ -
Federal aid	176,100	-	-	88,342
Transfer from general fund	-	-	2,740	-
Transfer from supplemental general fund	-	-	9,000	-
Total cash receipts	<u>176,100</u>	<u>-</u>	<u>32,266</u>	<u>88,342</u>
Expenditures:				
Instruction	132,855	-	34,074	88,342
Instruction support staff	25,227	-	-	-
General administration	5,619	-	-	-
School administration	-	-	-	-
Operations and maintenance	11,543	-	-	-
Vehicle Operating Services	-	-	-	-
Total expenditures	<u>175,244</u>	<u>-</u>	<u>34,074</u>	<u>88,342</u>
Receipts over (under) expenditures	856	-	(1,808)	-
Unencumbered cash (deficit), beginning of year	<u>-</u>	<u>108,998</u>	<u>38,070</u>	<u>39</u>
Unencumbered cash, end of year	<u><u>\$ 856</u></u>	<u><u>\$ 108,998</u></u>	<u><u>\$ 36,262</u></u>	<u><u>\$ 39</u></u>

The accompanying notes are an integral
part of the financial statements.

Title I C	Title II A	Title III A	Title II D	ARRA Stimulus Money	REAP	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,526
156,585	24,214	14,377	299	33,970	31,891	525,778
-	-	-	-	-	-	2,740
-	-	-	-	-	-	9,000
156,585	24,214	14,377	299	33,970	31,891	558,044
49,240	24,214	14,377	299	33,900	28,293	405,594
55,210	-	-	-	-	-	80,437
7,849	-	-	-	-	-	13,468
11,505	-	-	-	-	-	11,505
194	-	-	-	-	-	11,737
2,031	-	-	-	-	-	2,031
126,029	24,214	14,377	299	33,900	28,293	524,772
30,556	-	-	-	70	3,598	33,272
-	-	-	-	(70)	-	147,037
\$ 30,556	\$ -	\$ -	\$ -	\$ -	\$ 3,598	\$ 180,309

**UNIFIED SCHOOL DISTRICT NO. 102
CIMARRON, KANSAS**

DISTRICT ACTIVITY FUNDS

**STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND UNENCUMBERED CASH**

Year ended June 30, 2011

<u>Fund</u>	<u>Beginning unencumbered cash balance</u>	<u>Cash receipts</u>	<u>Expenditures</u>	<u>Ending unencumbered cash balance</u>	<u>Add outstanding encumbrances and accounts payable</u>	<u>Ending cash balance</u>
Gate receipts:						
High school:						
Athletics	\$ 8,294	\$ 38,153	\$ 44,679	\$ 1,768	\$ -	\$ 1,768
Athletic student	-	22,031	21,130	901	-	901
Subtotal gate receipts	8,294	60,184	65,809	2,669	-	2,669
School projects:						
High school:						
Annual	-	7,340	7,340	-	-	-
Ind. Tech. Building	733	3,625	2,227	2,131	-	2,131
Musical	4,207	17,043	14,490	6,760	-	6,760
Shop	-	1,227	1,227	-	-	-
Vo-Ag	-	90	90	-	-	-
Weight Club	1,224	-	418	806	-	806
Grade School:						
Library	162	3,378	2,145	1,395	-	1,395
Mexican Fiesta	1,040	-	-	1,040	-	1,040
Subtotal school projects	7,366	32,703	27,937	12,132	-	12,132
Total district activity funds	\$ 15,660	\$ 92,887	\$ 93,746	\$ 14,801	\$ -	\$ 14,801

The accompanying notes are an integral
part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 102
CIMARRON, KANSAS

AGENCY FUNDS

SUMMARY OF CASH RECEIPTS AND CASH DISBURSEMENTS

Year ended June 30, 2011

Fund	Beginning cash balance	Cash receipts	Cash disbursements	Ending cash balance
Student organization funds:				
High school:				
Band	\$ 261	\$ 10,787	\$ 8,899	\$ 2,149
C club	91	-	91	-
Cheerleaders	332	16,682	10,464	6,550
Educational Fund	694	527	300	921
Seventh	272	190	272	190
Eighth	528	658	639	547
Freshmen	527	688	527	688
Sophomores	1,315	1,215	1,691	839
Juniors	3,421	21,403	21,482	3,342
Seniors	284	12,720	13,004	-
FCCLA	788	5,906	4,989	1,705
FFA	2,335	11,984	8,759	5,560
Foreign language club	558	180	738	-
Forensics	423	-	180	243
Gifted	1	354	10	345
HS drill team	38	-	38	-
JH drill team	179	-	179	-
HS keys	27	2,204	2,073	158
JH keys	125	498	374	249
JH pep club	212	3,797	3,791	218
Library	36	738	314	460
Miscellaneous	-	4,721	4,721	-
National honor society	699	14,320	14,361	658
National honor society (Nate Fund)	-	1,407	-	1,407
SADD	2,780	1,488	1,245	3,023
Scholars bowl	154	290	189	255
Student council	4,767	4,120	5,535	3,352
Tri-M	63	475	243	295
TSA	130	638	41	727
Subtotal high school	<u>21,040</u>	<u>117,990</u>	<u>105,149</u>	<u>33,881</u>
Grade school:				
Box Tops	3,731	1,873	1,023	4,581
Carnival Fund	1,786	2,085	3,744	127
Subtotal elementary school	<u>5,517</u>	<u>3,958</u>	<u>4,767</u>	<u>4,708</u>
Total agency funds	<u>\$ 26,557</u>	<u>\$ 121,948</u>	<u>\$ 109,916</u>	<u>\$ 38,589</u>

The accompanying notes are an integral part of the financial statements.

**UNIFIED SCHOOL DISTRICT NO. 102
CIMARRON, KANSAS**

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of the significant accounting policies applied in the preparation of the accompanying financial statements is presented to assist the reader in understanding the District's financial statements, which are presented in conformity with the cash basis and budget laws of the State of Kansas. The financial statements and notes are representations of the District's management, which is responsible for their integrity and objectivity. The amounts shown for 2010 in the accompanying financial statements are included, where practicable, only to provide a basis for comparison with 2011, and are not intended to present all information necessary for a fair presentation in accordance with the basis of accounting described below.

1. Reporting entity

Unified School District No. 102 is a municipal corporation governed by an elected six-member board. The scope of the entity for financial reporting purposes is defined as those funds for which the governing body of the School has financial accountability. Financial accountability includes budgetary authority and fiscal management responsibility. Budgetary authority is defined as authority for final approval of budgetary appropriations and revisions. Fiscal management responsibility is control of the collection and disbursement of funds. These financial statements include all funds included in the School's legally adopted budget and trust and agency funds controlled or administered by School employees in their capacity as School employees. The School has no component units.

2. Fund accounting

The accounts of the District are organized on the basis of funds. In governmental accounting, a fund is designated as a sum of money or other resources segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations and constituting an independent fiscal and accounting entity. District resources are allocated to and for individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The following funds comprise the financial activities of the District for the fiscal year ending June 30, 2011:

GOVERNMENTAL FUNDS

General Funds

General funds are used to account for all financial transactions not properly accounted for in another fund. They receive a greater variety and number of taxes and other general revenue than any other funds and finance a wider range of activities.

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources which must be devoted to some special use as required by law or specific regulation.

Debt Service Fund

The debt service fund is used to account for the financing of long-term debt that is not otherwise financed from other revenue.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Fund accounting (continued)

FIDUCIARY FUNDS

Agency Funds

Agency funds are used to account for assets held by the District as an agent for individuals, private organizations and other governmental units.

3. Basis of accounting

Statutory Basis of Accounting. The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure is charged in the fund from which the transfer is made.

The District has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the District to use the statutory basis of accounting.

Departure from Accounting Principles Generally Accepted in the United States of America. The basis of accounting described above results in a financial statement presentation, which shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. A statement of net assets that would have shown noncash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance is not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the District are not presented in the financial statements. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences is not presented in the financial statements.

4. Budgetary information

Kansas statutes require that an annual operating budget be legally adopted for the general funds, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in adoption of the legal annual operating budget:

- a. Preparation of the budget for the succeeding fiscal year on or before August 1st.
- b. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Budgetary information (continued)

c. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.

d. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. The Bilingual Education fund budget was amended as follows:

<u>Fund</u>	<u>Original budget</u>	<u>Amended budget</u>
Bilingual Education	\$ 185,592	\$ 260,000

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the statutory basis of accounting, in which revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for capital project funds, agency funds, and the following special revenue funds:

Migrant
Contingency reserve
Textbook and student materials revolving
Title I
Title I C
Title II A
Title III A
Title II D
ARRA Stimulus Money
Rural education achievement program (REAP)
District activity

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

5. Cash and investments

The District pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in interest-bearing deposits and disclosed as part of the District's investments. Unless specifically designated, all investment income is credited to funds designated by K.S.A. 72-6427. Investments are recorded at cost.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6. Ad valorem tax revenue

The determination of assessed valuation and the collections of property taxes for all political subdivisions in the State of Kansas is the responsibility of the various counties. The County Appraiser's Office annually determines assessed valuation and the County Clerk spreads the annual assessment on the tax rolls. Property taxes are levied by November 1 and a lien for all taxes attaches on that same date until taxes are paid. One-half of the property taxes is due December 20 and distributed to the District by January 20 and the second half is due May 10 and distributed to the District by June 5. The District Treasurer draws available funds from the County Treasurer's office at designated times throughout the year.

7. Pension plan

Substantially all full-time employees are members of the State of Kansas Public Employees' Retirement System (KPERs) which is a cost-sharing multiple-employer state-wide pension plan. The State of Kansas pays the District's share of all pension costs; such costs to be funded are determined annually by the system's actuary.

8. Compensated absences

The District's policies regarding vacation and sick pay permit full-time classified employees to earn up to 10 days of vacation at the close of the first year and ten days after each subsequent year of service up to six years. After six years of service, fifteen days are granted. After eleven years of service, twenty days are granted. Anniversary dates for vacation purposes are July 1st to correspond with the fiscal year of the District. Vacation time is prorated for new employees who do not complete a full fiscal year of employment on a July 1 through June 30 cycle.

At the beginning of the school year all employees are given a day of sick leave for each month of employment plus one. Sick leave may be accumulated to a total of 70 days. Classified employees who have more than 70 sick days at the beginning of the school year shall be reimbursed at a rate of \$20 per day for sick days over 70. In the event of retirement or disability of a certified employee, the District will pay for unused sick leave up to a maximum of 50 days in the amount of one-half of a substitute's daily rate at the time of reimbursement. In the event of death, the payment will be made to the beneficiary or beneficiaries as designated by KPERs.

The District has a sick leave bank for classified employees in which each employee may contribute one day to the bank each year and the Board of Education will match the days contributed to the bank. A committee made up of classified employees and the superintendent shall decide upon the distribution of days. Each year the bank begins with a zero balance of sick days.

9. Section 125 plan

The District offers a Section 125 Flexible Benefit Plan to employees electing to participate. It is used for annuities, mutual funds, health insurance premiums, unreimbursed medical expense, dependent care expense, and other insurance premiums. The plan is administered by an independent company.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

10. Estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts and the disclosures at the date of the financial statements. Actual results could differ from those estimates.

11. Other post employment benefits

As provided by K.S.A. 12-5040, the District allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the District is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the District makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the District under this program.

B. COMPLIANCE WITH KANSAS LAW

References made herein to the statutes are not intended as interpretations of law, but are offered for consideration of the Director of Accounts and Reports and interpretation by the legal representatives of the District.

K.S.A. 10-130 requires that municipalities remit payments for any bonds or interest to the state fiscal agent at least twenty days before the day of maturity. One payment on the general obligation bonds was not made in accordance with this statute.

The General and Supplemental General Funds showed an ending unencumbered cash deficit of \$410,868 and \$24,854, respectively, for the year ended June 30, 2011. This was a result of the State of Kansas not making its final payment until after the end of the fiscal year. The District was instructed by the State to expend the authorized budget for the year even though the balance due to the District from the State of Kansas was received after the end of the fiscal year. K.S.A. 10-1116a exempts school districts from the cash basis law in this situation.

K.S.A. 72-6417 and K.S.A. 72-6434 require that districts receiving state aid in July for the previous fiscal year ended in June record and account for these funds as receipts for the previous fiscal year ending on the preceding June 30. The following schedule demonstrates compliance with these statutes:

B. COMPLIANCE WITH KANSAS LAW (CONTINUED)

GENERAL FUND

STATEMENT OF STATUTORY RECEIPTS, EXPENDITURES
AND BALANCES

Year ended June 30, 2011

	Statutory amounts	Budget	Variance favorable (unfavorable)
Statutory receipts:			
Taxes:			
Ad valorem property:			
Tax in process	\$ 10,347	\$ 28,087	\$ (17,740)
Current tax	588,120	585,083	3,037
Delinquent tax	12,239	9,576	2,663
Federal aid:			
ARRA stabilization funds	87,697	87,697	-
Education jobs	153,556	-	153,556
State aid:			
Equalization aid	3,526,886	3,841,877	(314,991)
Special education aid	472,014	490,000	(17,986)
Total statutory receipts	<u>4,850,859</u>	<u>\$ 5,042,320</u>	<u>\$ (191,461)</u>
Expenditures and transfers subject to legal maximum budget:			
Instruction	2,114,200	\$ 2,281,718	\$ 167,518
Student support services	105,585	104,500	(1,085)
Instructional support staff	109,219	112,900	3,681
General administration	191,569	208,335	16,766
School administration	329,277	366,365	37,088
Operations and maintenance	369,134	331,314	(37,820)
Student transportation services	238,732	276,900	38,168
Other support services	435	-	(435)
Transfers to other funds	1,398,926	1,367,070	(31,856)
Adjustment to comply with legal maximum budget	<u>-</u>	<u>(192,025)</u>	<u>(192,025)</u>
Total expenditures and transfers subject to legal maximum budget	<u>4,857,077</u>	<u>\$ 4,857,077</u>	<u>\$ -</u>
Statutory receipts over (under) expenditures	(6,218)		
Statutory balance, beginning of year	<u>6,219</u>		
Statutory balance, end of year	<u>\$ 1</u>		

B. COMPLIANCE WITH KANSAS LAW (CONTINUED)

SUPPLEMENTAL GENERAL FUND

STATEMENT OF STATUTORY RECEIPTS, EXPENDITURES
AND BALANCES

Year ended June 30, 2011

	Statutory amounts	Budget	Variance favorable (unfavorable)
Statutory receipts:			
Taxes:			
Ad valorem property:			
Tax in process	\$ 9,480	\$ 21,917	\$ (12,437)
Current tax	473,927	470,431	3,496
Delinquent tax	8,425	7,735	690
Motor vehicle tax	50,006	55,861	(5,855)
Recreational vehicle tax	930	1,063	(133)
State aid	418,563	419,696	(1,133)
Total statutory receipts	961,331	\$ 976,703	\$ (15,372)
Expenditures and transfers subject to legal maximum budget:			
Operations and maintenance	187,118	\$ 200,000	\$ 12,882
Transfers to other funds	781,212	770,000	(11,212)
Total expenditures and transfers subject to legal maximum budget	968,330	\$ 970,000	\$ 1,670
Statutory receipts over (under) expenditures	(6,999)		
Statutory balance, beginning of year	6,999		
Statutory balance, end of year	\$ -		

C. DEPOSITS AND INVESTMENTS

Policies. The District has no formal deposit and investment policies; however, it does follow state statutes. K.S.A. 9-1401 establishes the depositories which may be used by the District. The statute requires banks eligible to hold the District's funds have a main or branch bank in the county in which the District is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the District's deposits in financial institutions to be entirely covered by federal depository insurance, by a corporate surety bond, or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka. All deposits were legally secured at June 30, 2011.

K.S.A. 12-1675 limits the District's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. Additionally, K.S.A. 10-131(a)(6) authorizes the District to invest proceeds of bonds in obligations of the Federal National Mortgage Association, Federal Home Loan Banks, or the Federal Home Loan Mortgage Corporation. State statutes place no limit on the amount the District may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial credit risk - deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. At year-end the carrying amount of the District's deposits, including certificates of deposit, was \$1,883,928. The bank balance was \$2,305,171. Of the bank balance, \$265,509 was covered by FDIC insurance and \$2,039,662 was collateralized by pledged securities held under joint custody receipts issued by a third-party bank in the District's name.

D. LONG-TERM DEBT

Changes in long-term liabilities for the District for the year ended June 30, 2011, were as follows:

<u>Issue</u>	<u>Balance beginning of year</u>	<u>Additions</u>	<u>Reductions/ net change</u>	<u>Balance end of year</u>	<u>Interest paid</u>
General obligation bonds:					
School building bonds - Series 1993					
Issued July 1, 1993					
In the amount of \$1,005,000					
At interest rate of 0.00-4.00%					
Maturing September 1, 2013	\$ 170,000	\$ -	\$ -	\$ 170,000	\$ -
School building bonds - Series 2009					
Issued August 19, 2009					
Amount of issue \$1,430,000					
At interest rate of 2.25-2.65%					
Maturing September 1, 2014	<u>1,430,000</u>	<u>-</u>	<u>365,000</u>	<u>1,065,000</u>	<u>30,005</u>
Subtotal general obligation bonds	<u>1,600,000</u>	<u>-</u>	<u>365,000</u>	<u>1,235,000</u>	<u>30,005</u>

D. LONG-TERM DEBT (CONTINUED)

<u>Issue</u>	<u>Balance beginning of year</u>	<u>Additions</u>	<u>Reductions/ net change</u>	<u>Balance end of year</u>	<u>Interest paid</u>
Capital lease:					
Lighting upgrade					
Issued April 1, 2009					
In the amount of \$157,826					
At interest rate of 4.95%					
Maturing March 1, 2018	\$ 142,942	\$ -	\$ 14,963	\$ 127,979	\$ 6,711
Termination benefits:					
Early retirement payable	5,169	-	4,292	877	-
Total long-term debt	<u>\$1,748,111</u>	<u>\$ -</u>	<u>\$ 384,255</u>	<u>\$1,363,856</u>	<u>\$ 36,716</u>

K.S.A. 72-6761 limits the amount of bonds that a school district may have outstanding at any one time to 14% of the assessed valuation of taxable tangible property within the school district. At year end, the District had \$1,235,000 of bonds outstanding which is 3.56% of the assessed valuation.

Current maturities of general obligation bonds and interest through maturity are as follows:

	<u>Principal due</u>	<u>Interest due</u>	<u>Total due</u>
2012	\$ 360,000	\$ 20,943	\$ 380,943
2013	365,000	12,336	377,336
2014	365,000	6,036	371,036
2015	<u>145,000</u>	<u>1,921</u>	<u>146,921</u>
Total	<u>\$ 1,235,000</u>	<u>\$ 41,236</u>	<u>\$ 1,276,236</u>

Current maturities of capital lease and interest through maturity are as follows:

	<u>Principal due</u>	<u>Interest due</u>	<u>Total due</u>
2012	\$ 15,713	\$ 6,143	\$ 21,856
2013	16,500	5,355	21,855
2014	17,327	4,529	21,856
2015	18,196	3,660	21,856
2016	19,107	2,748	21,855
2017-2018	<u>41,136</u>	<u>2,576</u>	<u>43,712</u>
Total	<u>\$ 127,979</u>	<u>\$ 25,011</u>	<u>\$ 152,990</u>

E. DEFINED BENEFIT PENSION PLAN

Plan description. The District participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas, Suite 100; Topeka, KS 66603-3869), or by calling 1-888-275-5737.

Funding Policy. K.S.A. 74-4919 and 74-49,210 establishes the KPERS member-employee contribution rate at 4.00% and 6.00% respectively of covered salary. Member-employees' contributions are withheld by their employer and paid to KPERS according to the provisions of section 414(h) of the Internal Revenue Code. The State of Kansas is required to contribute the remaining amount necessary to achieve the actuarially determined contribution rate. Kansas contributed 9.17% of covered payroll for July 1, 2010 through June 30, 2011. These contribution requirements are established by KPERS and are periodically revised. Kansas' contributions to KPERS for all Kansas public school employees for the years ending June 30, 2011, 2010, and 2009 were \$253,834,044, \$248,468,186, and \$242,277,363, respectively, equal to the required contributions for each year as set forth by the legislature. The amounts attributable to the District for the years ending June 30, 2011, 2010, and 2009 were \$233,670, \$276,545, and \$257,918. The contribution for the year ended June 30, 2011 does not reflect the amount required for the entire year.

F. INTERFUND TRANSACTIONS

Recurring annual transfers between budgetary funds for the purpose of shifting resources from the fund legally required to receive the revenue to the fund authorized to expend the revenue are operating transfers. These transfers, authorized by K.S.A. 72-6428 and K.S.A. 72-6433, are as follows:

<u>From</u>	<u>To</u>	<u>Amount</u>
General fund	Capital outlay fund	\$ 458,961
General fund	Food service fund	59,930
General fund	Special education fund	734,250
General fund	Textbook fund	2,740
General fund	At risk fund	97,800
General fund	At risk (4 year old)	45,245
Supplemental general fund	Vocational education fund	189,830
Supplemental general fund	Bilingual fund	259,500
Supplemental general fund	Textbook fund	9,000
Supplemental general fund	At risk fund	<u>322,882</u>
		<u>\$2,180,138</u>

G. CONTINGENCIES

The District receives significant financial assistance from numerous federal and state governmental agencies in the form of grants and state pass-through aid. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the District at June 30, 2011.

H. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions, injuries to employees, natural disasters; and medical needs of employees for which the District purchases commercial insurance. There have been no significant reductions in coverage from the prior year. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three years.

I. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 5, 2011, the date on which the financial statements were available to be used. Management's evaluation concluded that there are no subsequent events that are required to be recognized or disclosed in these financial statements.

APPENDICES

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Education
Unified School District No. 102
Cimarron, Kansas

We have audited the financial statements of Unified School District No. 102 as of and for the year ended June 30, 2011 and have issued our report thereon dated December 5, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our report on the financial statements disclosed that, as described in Note A to the financial statements, the District has prepared these financial statements in conformity with the accounting practices prescribed or permitted by the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Unified School District No. 102's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Unified School District No. 102's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the governing body, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Kennedy McKee & Company LLP

December 5, 2011

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Education
Unified School District No. 102
Cimarron, Kansas

Compliance

We have audited Unified School District No. 102's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2011. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

As described in items 2011-01 and 2011-02 in the accompanying schedule of findings and questioned costs, Unified School District No. 102 did not comply with requirements regarding cash management and reporting that are applicable to its Migrant Program. Compliance with such requirements is necessary, in our opinion, for Unified School District No. 102 to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Unified School District No. 102 complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of Unified School District No. 102 is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and question costs as items 2011-01 and 2011-02 to be significant deficiencies.

Unified School District No. 102's responses to the findings identified in our audit are described in the accompany schedule of findings and questioned costs. We did not audit Unified School District No. 102's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the governing body, management and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Kennedy McKee & Company LLP

December 5, 2011

**UNIFIED SCHOOL DISTRICT NO. 102
CIMARRON, KANSAS**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2011

Federal grantor/ pass-through grantor/ program title	Federal CFDA number	Pass-through grantor's number	Unencumbered cash (deficit) beginning of year	Canceled encumbrances	Cash receipts	Expenditures	Unencumbered cash end of year
<u>U.S. Department of Education</u>							
Direct award:							
Rural Education Achievement Program	84.358	N/A	\$ -	\$ -	\$ 31,891	\$ 28,293	\$ 3,598
Passed through Kansas Department of Education:							
Title I Program	84.010	N/A	39	-	88,342	88,342	39
Title I Program - ARRA	84.389	N/A	(70)	-	33,970	33,900	-
Migrant Program	84.011	N/A	-	-	333,264	301,852	31,412
Title II D - Education Technology Grant	84.318	N/A	-	-	299	299	-
Title II A - Improving Teacher Quality	84.367	N/A	-	-	24,214	24,214	-
Title III A - English Language Acquisition	84.365	N/A	-	-	14,377	14,377	-
State Fiscal Stabilization - ARRA	84.394	N/A	-	-	87,697	87,697	-
Education Jobs Fund - ARRA	84.410	N/A	-	-	153,556	153,556	-
			(31)	-	767,610	732,530	35,049

**UNIFIED SCHOOL DISTRICT NO. 102
CIMARRON, KANSAS**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

Year ended June 30, 2011

Federal grantor/ pass-through grantor/ program title	Federal CFDA number	Pass-through grantor's number	Unencumbered cash (deficit) beginning of year	Canceled encumbrances	Cash receipts	Expenditures	Unencumbered cash end of year
<u>U.S. Department of Agriculture</u>							
Passed through Kansas Department of Education:							
School Breakfast Program	10.553	N/A	\$ -	\$ -	\$ 23,926	\$ 23,926	\$ -
National School Lunch Program	10.555	N/A	-	-	126,859	126,859	-
Team Nutrition Training Grant	10.574	N/A	-	-	350	350	-
			-	-	151,135	151,135	-
Total federal assistance			<u>\$ (31)</u>	<u>\$ -</u>	<u>\$ 918,745</u>	<u>\$ 883,665</u>	<u>\$ 35,049</u>

Note - The Schedule of Expenditures of Federal Awards is prepared in conformity with the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas.

**UNIFIED SCHOOL DISTRICT NO. 102
CIMARRON, KANSAS**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2011

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Unified School District No. 102.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Report on Internal Control over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Unified School District No. 102 which would be required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit.
4. Two significant deficiencies relating to the audit of internal control over major federal programs were reported in the Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for Unified School District No. 102 expresses a qualified opinion on the Migrant Program and an unqualified opinion on the Education Jobs Fund.
6. Audit findings required to be reported in accordance with Section 510(a) of OMB A-133 are reported in this schedule.
7. The programs tested as major programs included:

Migrant Program	CFDA 84.011
Education Jobs Fund - ARRA	CFDA 84.410
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Unified School District No. 102 did not qualify as a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None noted

CIMARRON, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

Year ended June 30, 2011

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS

2011-01 Migrant Program; Grant period: Year Ended June 30, 2011

Condition: We examined the "Request for Federal Program Funds Form 240" noting the form was completed on a monthly basis. On the last request of the year the District estimated that they would have the same amount of expenses as their remaining allocation. However, the actual expenditures at the end of the year were far less than the estimate.

Criteria: Cash management requires that a recipient receiving advances implement procedures to minimize the time elapsing between the transfer of federal fund from the recipient and the time of cash disbursements for program purposes. Also, if the expenditures under the program require board approval, the recipient should obtain approval before requesting funds.

Effect: Based on the above criteria, at June 30, 2011 the District had requested funds in excess of approved expenditures totaling \$30,556.

Cause: This occurred because District personnel requested funds before they had the appropriate approval for the estimated expenditures from the board.

Recommendation: We recommend that personnel completing the request forms get prior approval of significant estimated expenditures before requesting the cash advance needed to operate the program.

Response: District personnel agree with the finding and have taken steps to correct it.

2011-02 Migrant Program; Grant period: Year Ended June 30, 2011

Condition: We examined the "Local Consolidated Plan Revision and Carryover" application and noted that the expenditures reported were in excess of the actual expenditures.

Criteria: The District is required to report actual expenditures for Migrant at the end of the fiscal year to the State Education Agency (SEA).

Effect: The expenditures reported to the SEA were overstated by \$23,101.

Cause: This occurred because some encumbrances were canceled after the "Local Consolidated Plan Revision and Carryover" application was submitted.

Recommendation: We recommend that all transactions be complete and the year closed out before any required year-end reports are filed.

Response: District personnel agree with the finding and have taken steps to correct it.

**UNIFIED SCHOOL DISTRICT NO. 102
CIMARRON, KANSAS**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended June 30, 2011

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS

None relative to federal awards